

1998

Annual Report 1997-1998: Innovations in Affordable Housing Finance

California Housing Finance Agency

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annual report

california housing
finance agency
annual report

KFC
22
R4
H790
1997-1998



innovations:

i n a f f o r d a b l e h o u s i n g f i n a n c e

The California Housing Finance Agency's mission

is to finance below-market rate loans to create safe, decent,

and affordable rental housing and to assist first-time

homebuyers in achieving the dream of homeownership.



KFC22. H790 R4
California Housing Finance
Agency
Annual report - California
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i n n o v a t i o n s :

in-e-vā'-shen\ *n*

- 1: the introduction of something new**
- 2: a new idea, method, or device**





"I grew up in Marin City. I am a single Mom with a small son. Before moving to the new Marin City USA, I had lived most of my life across the street in the tall pink buildings — the low income housing. And then I moved out into my own apartment there when I was 18. I went to College of Marin for three years to become a medical assistant and then, just as I was graduating, these new apartments were being finished and I had a chance to get in. Living here now makes me feel like I am finally accomplishing something after all the schooling I've done. It costs me more to live here, but it is worth it because I know this is a safe place, and I have child care available right here next to my building. Sometimes it seems like we live in a totally different neighborhood, even though we just moved across the street. I can tell you that this development has done wonderful things for the whole community.

"I hope that in five years or so, I will be able to buy one of the new townhomes. That is my next big goal I have set for myself."

DIEMA ADAMS
RIDGEWAY APTS.

CHFA's permanent financing of the rental component of Marin City USA has received a 1998 Award for Program Excellence from the National Council of State Housing Agencies



"I was born in San Francisco, moved to Marin City as an infant, and I have been here most of my life living in the subsidized housing across the street. I am raising two nieces, a 14-year old and a 13-year old.

Once they announced that they were going to live in these apartments, I put my name on the waiting list. I set myself a goal to move in here. I got my credit all straightened out and added another job and here I am. I'm an Instructional Assistant with Special Education for the Early Intervention Program and I am also an after school teacher for kids aged five to eight, and then after that I am an at-home tutor with the Evensar adult education program teaching parents to be teachers of their children.

"Life is good now. I love the apartment. I'm paying real rent for a real home. I had a two bedroom before with no wall to wall carpet. Here I have three bedrooms, two baths, and carpeting throughout! The kids can be doing their thing on one side of the apartment and I can do mine on the other. And I like having my own garage which few apartment houses have and I like the space for the washer/dryer right in the apartment. While the rent is more than what I was paying before, there is no comparison but it is still affordable. I see real value for the rent I am now paying.

"This is my home. It has made a big difference in my life. But my next goal is to own my own home."

TIKEYA STEWART
DORETHA MITCHELL APTS.

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Marketing Information
24-Hour Toll Free (800) 789-CHFA
e-mail: marketing@chfa.ca.gov

Additional information is provided in the
"Audited Financial Statements" and
"Statistical Supplement" to the California
Housing Finance Agency's 1997-1998
Annual Report.

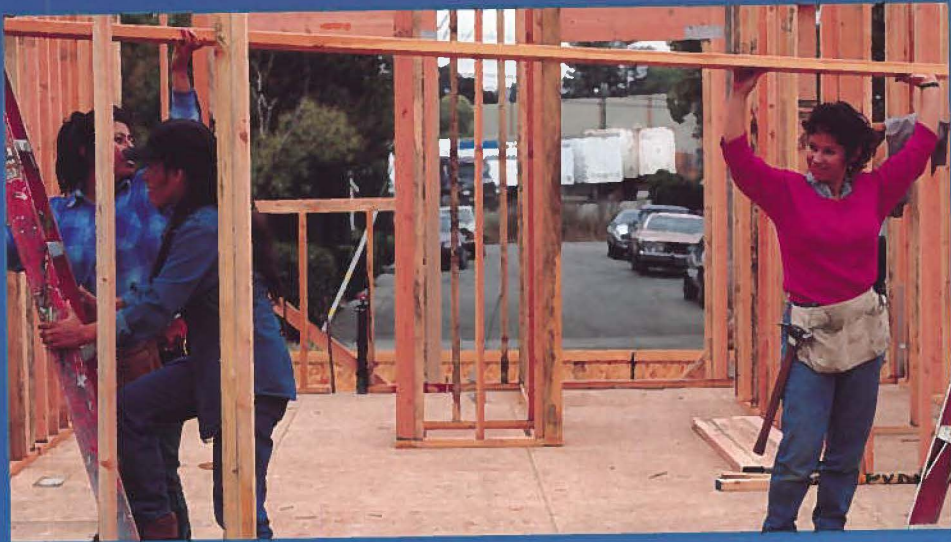


Sacramento Headquarters

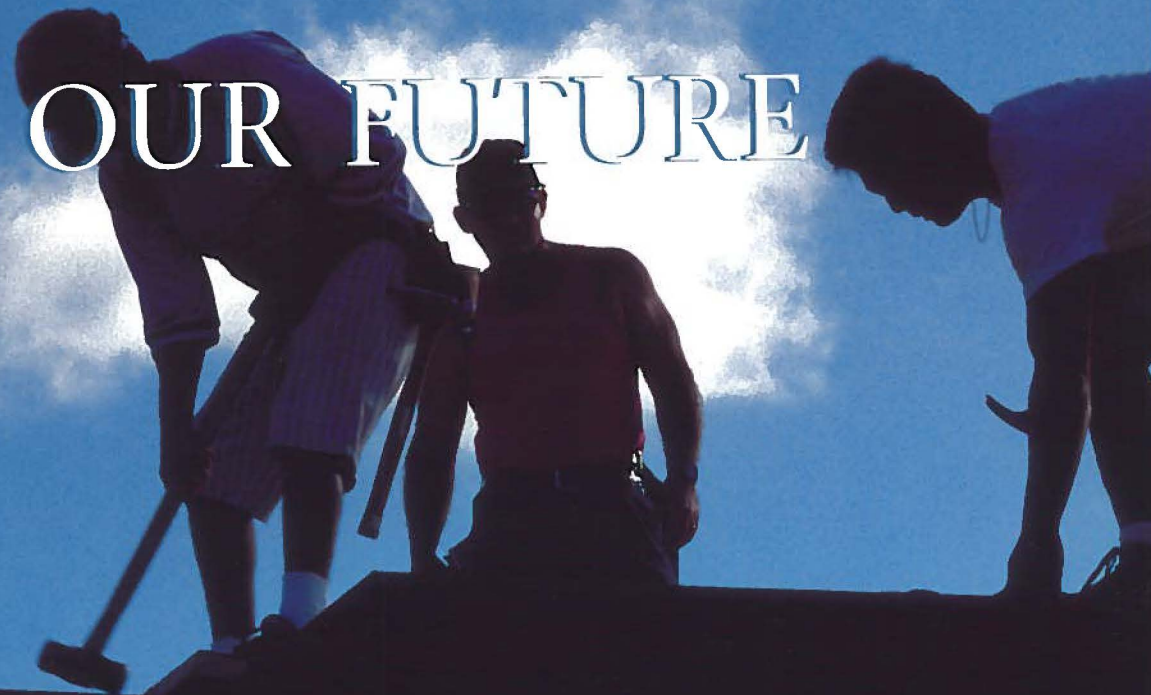
1121 L Street, 7th Floor • Sacramento, CA 95814 • (916) 322-3991

Los Angeles Area Office

100 Corporate Pointe, Suite 250 • Culver City, CA 90230 • (310) 342-1250



INNOVATIONS IN BUILDING OUR FUTURE



CHAIRMAN & DIRECTOR'S MESSAGE

As we began to reflect on the fiscal year just past, it became readily apparent that the Agency had initiated very innovative approaches to challenges which we faced in meeting our mission "to finance below market rate loans to create safe, decent and affordable rental housing and to assist first-time homebuyers in achieving the dream of homeownership." So much of what we envisioned from a program standpoint is new to

the Agency this year that our theme for this annual report just naturally evolved, *Innovations in Affordable Housing Finance*.

This was also a year of many changes in the California Housing Finance Agency (CHFA). Shortly after the start of the year, our good friend, and a leader in the affordable housing community, Seb Sterpa, the long time Chairman of our Board of Directors, announced his intention to step down after 14 years of service as a Board Member and Chairman. The Board and Staff gave Seb a great send-off at the September Board meeting which was held in one of the historic committee meeting rooms in the State Capitol. We also welcomed two new members to our Board this year: Robert N. Klein II was appointed by the Speaker of the Assembly to the seat vacated by Claudine Cheng whose term had expired. Robert brings a wealth of real estate experience to the Board, as well as some previous history with CHFA, having worked in 1974-75 for the Legislative Committee that drafted the legislation creating CHFA. And, Bijan R. Kian was appointed by Governor Wilson to serve the unexpired term of the seat previously held by Seb Sterpa. Also, ex officio member Lee Grissom, the Director of the Office of Planning and Research, stepped down and has been replaced by Paul F. Miner.

The year has also seen steady reductions in both our single family and multifamily interest rates, which continue to be pegged at 100 basis points (one full percentage point) under the Fannie Mae 60-day rate with rates as low as 5.75% for single family loans and 5.90% for multifamily loans.

In terms of loan production, with \$700.3 million in new single family loans, 1997-98 was the third highest production year in the history of the Agency. The single family loan production slightly exceeded the production goals called for in the Agency's Five-Year Business Plan. CHFA closed \$72.6 million in multifamily loans for 1,670 units in 17 projects.

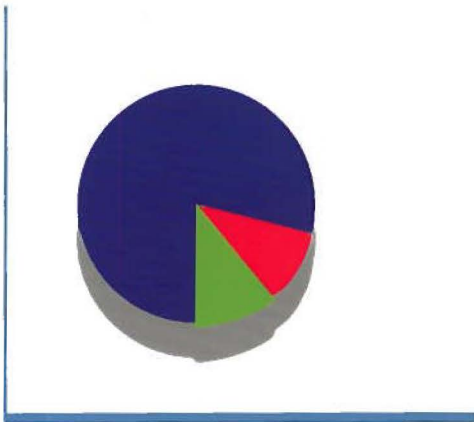


Terri Parker and Clark Wallace

With only three
years of service on
the Board
(but a lifetime spent
in housing),
Governor Pete
Wilson honored me by
asking me to serve as
CHFA's new Chairman
of the Board.

Clark Wallace

Total CHFA Housing Activity 1997-98
Lending and Insurance - Amount in Thousands



Loan Insurance Written	\$64,796	(7.7%)
Multifamily Loans Closed	\$72,612	(8.7%)
Single Family Loans Purchased	\$700,314	(83.6%)

All multifamily project loans must be approved by the CHFA Board of Directors. During the year, the Board acted favorably in granting \$61.6 million in final commitments on 26 projects with 1,631 units. These projects ranged from newly constructed to the conversion of a historic grocery store in Oakland into housing, as well as a project by the Sisters of Mercy (Mercy Housing) under our **Special Needs Program** to house the families of Folsom Prison inmates and provide them with a broad social service program.

The mortgage insurance arm of CHFA, the California Housing Loan Insurance Fund (CaHLIF), attained a major milestone this year, reaching the \$1 billion mark for mortgage insurance written over the life of its programs.

One innovative approach the Agency took this year was to make a concerted effort to reach out and partner with localities (city and county governments) through their housing and community development departments and redevelopment agencies. We did this both on the single family side and on the multifamily side. The vast majority of multifamily projects receiving CHFA first mortgage financing had extensive financial and other resource contributions from localities which resulted in the projects being financially viable. On the single family side, we continued our outreach to enter into working partnerships with localities under the **Affordable Housing Partnership Program**. To encourage this involvement we provide the borrowers a 25 basis point reduction in our already below market interest rate when the borrowers are receiving down payment and/or closing cost assistance from the locality.

Another innovative activity for CHFA this year was linking up with the California Valleys Housing Finance Authority. Fifteen cities had joined in a bond issue for financing single family

housing which had not proved successful. We were able to assist them by refinancing their bonds and offering loan rates 25 basis points under our established below market interest rates. As the fiscal year came to a close, we were well over 89% of our goal to purchase \$22,085,000 in these loans.

In October 1997, the National Council of State Housing Agencies (NCSHA) at their Annual Conference, recognized CHFA with two (out of 11) of their Annual Awards for Program Excellence. In the category of *Empowering New Homebuyers*, our **Single Loan Reservation System** received the Program Excellence Award, and for the second year in a row, our **Federal Legislative Program** received the Program Excellence Award for the *Federal Legislative* category. Our then new multifamily brochure, *Opening the Door to Financing Affordable Rental Housing*, received a Significant Achievement Award (one of 13) for *Innovative Communication*. Only one other state received multiple awards. Clearly CHFA's innovations are recognized as the cutting edge on the national level.

In December, with so many recent new arrivals on the Board, along with a new Chairman and new Executive Director, the Board began a two-part orientation session, in which the Board Members received an in-depth briefing on all aspects of the Agency's operations. A report on the functions, responsibilities and activities of each of the Agency's divisions and operating units was given by each of the respective senior managers. The process successfully concluded at the January Board meeting with an improved overall understanding, on the part of everyone involved, of the Agency's programs and operations.

At our May meeting, the Board adopted the \$7.5 billion Five-Year Business Plan which has proven to be our most ambitious and targeted production plan to date. This Plan, which covers the period from July 1, 1998 through June 30, 2003, calls for the Agency to originate \$4.5 billion in new single family loans, as well as \$1.6 billion in multifamily loans and commitments. Over this same period it is anticipated that the Agency will assist in the insuring of over \$1.4 billion of single family mortgages. And in terms of overall economic impact, the Plan should assist in the creation of about 75,000 jobs. While these business plan goals and their economic impact are significant, CHFA would like to do more, but we are constrained by a federally-imposed limitation in our ability to sell tax-exempt mortgage revenue bonds that provide the capital which funds our various loan programs. However, there is a measure currently before Congress (H.R. 979) which, if passed, will increase by \$800 million our authority to sell bonds. Our award-winning Federal Legislative Program has had this bill as its primary focus of activity for the past two years with the members of the California Congressional Delegation. As a result of these efforts, over 85% of our

*The first Board
of Directors meeting of
the fiscal year in July
was also my first as the
Executive Director of
CHFA and I appreciated
the warm welcome the
Board Members
extended to me.*

Terri Parker



Delegation have signed on as cosponsors of H.R. 979. CHFA has led the fight for the passage of this measure. As we take this Annual Report to press, we can report that our efforts have in part been successful. The House Ways and Means Committee under Chairman Bill Archer (R-TX) has approved a federal tax bill incorporating the main provisions of H.R. 979.*

As the fiscal year was coming to a close, we had an opportunity to reach out and celebrate a group of 10 families from the Self-Help Enterprises' Music Street Project in Clovis who represented the 1,000th CHFA Self-Help Builder Assistance Program (SHBAP) loan. We recognized all 10 families by presenting each with a framed plaque which had a photograph of their home and included a brass plate engraved with their family name and the fact that they were a part of the 1,000th SHBAP loan group. On a hot Central Valley afternoon, all the families gathered at the end of the cul-de-sac in their development where a granite marker commemorating these 10 families was installed in the sidewalk. To further celebrate the historic occasion, the children were all invited to put their

handprints and write their names in the fresh wet concrete. Of the 10 families, two were headed up by single mothers. One of these single mothers served as a spokesperson for the families at the ceremony marking the occasion. She spoke from the heart on what this program meant to her family, for she told us that not only did she achieve this dream of homeownership using the self-help approach, but that her parents had done the same thing, making her a second generation self-help builder homeowner.

To better accommodate the needs of the Agency in serving our customers in Southern California, we relocated our regional office to larger space in the Fox Hills area of Culver City. Our new office provides much more efficient and improved space over the previous location, which we had simply outgrown after 18 years.

We look forward with eager anticipation as we enter the new year with additional program innovations such as single family 100% loans, a deepening commitment to continuing and strengthening our partnership efforts with city and county housing authorities and redevelopment agencies through CHFA's new **HELP (Housing Enabling Local Partnerships)** Program, and, of course, our commitment to play a major role in the preservation of affordable housing units as the Section 8 Program is completely restructured at the Federal level.

The process of creating *Innovations in Affordable Housing Finance* is ongoing for CHFA. We have a great professional team dedicated to always searching out new and improved ways to accomplish the mission of the Agency. But by no means would we pretend to have a corner on the creativity market when it comes to affordable housing finance. We are committed to keeping CHFA on this progressive path and invite you to share your ideas on how we all might continue to improve our delivery of loan products to California's first-time home buying families and to the developers of multi-family housing who are providing affordable rental units. ■

Clark E. Wallace
Chairman of the Board

Theresa A. Parker
Executive Director

**Omnibus Budget Act of 1999 incorporated a down payment on H.R. 979 to commence in Fiscal Year 2003 which will provide an increase in the cap in increments of \$5.00 annually between 2003 and 2007.*



AFFORDABLE HOUSING PARTNERSHIP PROGRAM SUCCESS STORY

"I just knew we didn't have any hope of ever owning a home in Santa Rosa. Somebody had told me about another nearby city that was supposedly doing some programs so I called them and the lady there recommended Burbank

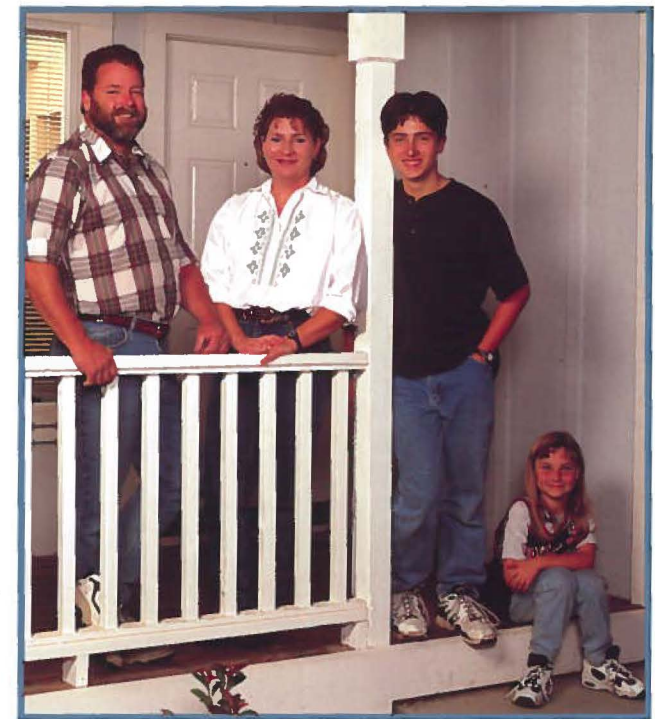
Housing. I was working at my church with a group of single moms and one of the women there expressed the dream of owning her own home someday and talked about Burbank Housing. Everyone I called kept pointing me to Burbank Housing.

"We called Burbank Housing and explained that we have no savings and asked if there was any way for us to get into a home. We had decided on a CHFA/VA loan and as we were getting ready to close, we were shocked to learn that we had to pay over \$4,000 in closing costs. So the loan officer said Burbank would help with some (and a silent second from the City of Santa Rosa). We asked Scott's father for the rest. And our landlord helped also by cutting our last month's rent.

"Our loan payments are a reach for us at \$887.00 per month, but just within our grasp. And we will be getting a tax benefit. If we had to make \$1,200 a month payments (which we were told would be our payment on other \$135,000 homes we looked at), we could never do that. The combination of the CHFA/VA loan from North American Mortgage, the sleeping second from the City of Santa Rosa and, of course, Burbank Housing made it all possible. All of this coming together has been the most incredible miracle and a dream come true for us.

"Owning our own home makes us feel more like adults. We have arrived! Our son and daughter now have their own rooms and everyone gets along a lot better. To other young families who dream of owning a home, our advice to them is never to give up hope."

SCOTT AND MARY WILLIAMSON





Photos of DeTurk Commons, a Burbank Housing Self-Help development in Santa Rosa



SINGLE FAMILY PROGRAMS

Adaptability, accessibility, and innovation have been the key elements in the success of Single Family Programs during the 1997-98 fiscal year. The adaptability to the changing housing market was evidenced by fully utilizing programs already in place and introducing new ones. Single Family Programs has been working with individual cities, counties, housing authorities and redevelopment agencies in order to reach and assist prospective homebuyers in the realization of their dream of homeownership.

Housing programs developed and flourished because the Agency recognized the fact that many first-time homebuyers have the capacity to make their monthly mortgage payments when provided with a below market interest rate loan, yet do not have the capital for the down payment and closing costs. Responding to this need, the Agency offered the **Affordable Housing Partnership Program**, the **Self-Help Builder Assistance Program**, and the **Rural Development Leveraging/Participation Program**. Beginning in 1997-98, the Agency has taken a further step toward other innovations to help first-time homebuyers by introducing the **100% Loan Program** and the joint CHFA and California Valleys **Housing Finance Authority Bond Program**.

The **Affordable Housing Partnership Program (AHPP)** was a unifying effort between CHFA, and cities and counties by joining resources to financially assist first-time homebuyers with down payment and closing costs. Since the beginning of this program in March 1995, through June 30, 1998, over 2,500 households achieved their goal of homeownership by means of a first loan from CHFA and a deferred payment subordinate loan from a locality. The interest rates for the **AHPP** first loan were offered by CHFA at one-quarter percent under the below market interest rates of the standard CHFA Single Family Program (which rates are generally 1% below the market). Many borrowers were given the opportunity to own their own homes through this program and expressed their gratitude.

The **Self-Help Builder Assistance Program (SHBAP)** made a measurable difference in the lives of many Californians. Under this Program, nonprofit self-help developers were offered development loans to assist with initial costs such as land acquisition and construction. Two projects applied for and were qualified to utilize these funds during Fiscal Year 1997-98. In addition to the development loans, CHFA provided below market rate permanent loans to self-



*"My house is beautiful.
My Mom put a lot of effort into building it.
The house has two bedrooms and a computer room. It was dirt before and is now a big house!"
Courtney
age 10*



SELF-HELP SUCCESS STORY



"I am a second generation self-help builder. My Mom, who was also a single mom with four kids, built her house in Selma, which is also a suburb of Fresno, in 1976. When Mom was building her house, I was real sick with epilepsy and I had quite a bit of seizures. I was told then that I would never drive, that I would never have kids, and I have made liars out of everybody.

"I was told that I would never get off of medicines and that I

would be sick most of my life. I was told don't have kids because it might not be healthy, and don't drive because it might not be safe. And I proved to everyone that I was going to do all those things plus. And that I was also going to be able to do the same thing my mom did, as a single parent, go off and build my own home. And with the help of Self-Help and a lot of other people I was able to build my home. With having two kids, being a single parent and then having all these previous obstacles I was able to jump ahead and build my home, thanks to the help of all the people in the group, thanks to the help of CHFA that helped me with the loan, and grants from the City of Clovis and the County of Fresno. Being a single parent I was able to accomplish my goal of homeownership. But I was never alone in all this. All the families did this with full-time jobs and kids and everything else.

"One of the best things I like about self-help is that you bond with your house, you bond with your neighbors, you bond with your supervisor, you bond with your community because they all had a big part of you owning your home. They had a big part of every stage of the development of your home because they were all there at one time or another.

"The kids love the freedom of the house, the basketball hoop, and being able to have our dogs. My kids and I are now part of a larger family of all the 10 families who we worked together with to build our homes. Being a self-help builder builds more than just a house or 10 houses, it builds your self-esteem and self-confidence."

SYLVIA CALDERON

Sylvia served as a spokesperson for the 10 families when CHFA recently celebrated the 1,000th CHFA Self-Help Builder Assistance Loan. She also served as the bilingual translator for the 10 families. She works for the school district as a speech aide.



help homebuyers for the purchase of their homes. Self-help buyers, usually in groups of 10 families, work with the nonprofit builder-sponsors by helping with construction of their future homes. This labor, which is referred to as "sweat equity" and is completed by loan closing, fulfills the down payment requirement. Seventy-eight of these self-help loans were purchased by the Agency during the fiscal year. Many people without cash reserves could not be homeowners without the benefit of this worthwhile program. On the occasion of celebrating its 1,000th self-help loan in the City of Clovis, Fresno County, CHFA installed a granite monument to commemorate this accomplishment. It was a time of celebration when the children of the 10 families who took part in this development placed their handprints and put their initials in the cement surrounding this plaque. These families worked hard to reach their dream and are now proud residents of a lovely community.

In Santa Clara County, with currently the highest median priced housing in the country, another SHBAP participant, Jose Marin, from a self-help project called **Glenbrook Gardens** in the town of Gilroy, was quoted as saying, "Now the family has a sense of confidence and a sense of security because we're building a future for ourselves and investing for the kids."



The Rural Development Leveraging/Participation Program, now in its second year of operation, attempts to reach borrowers in rural areas of California. In conjunction with the Rural Development Agency, a federal entity, CHFA offers first loans at lower interest rates to people purchasing homes in rural areas of California. These rural areas are, for the most part underserved and, as such, remain an ongoing target for the Agency. The Rural Development Agency provides subordinate loans at low interest rates to assist buyers in purchasing homes.

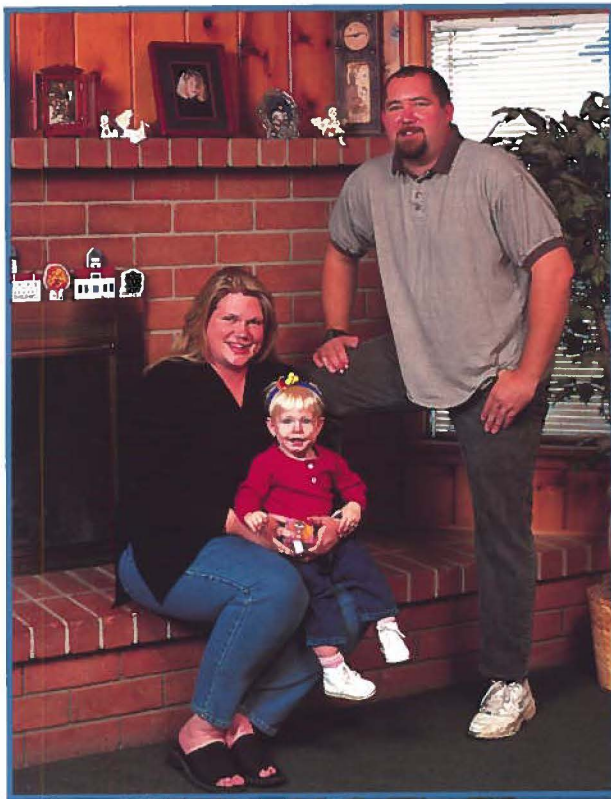
One of the creative programs that began in April, 1998 was the **100% Loan Program** which has been extremely well-received. This Program for first-time homebuyers is offered in 32 counties which have been identified as underserved during the last year. This Program, through a second loan offered by CHFA, covers the minimum down payment requirements set by the mortgage insurers (FHA and CaHLIF), and repayment of the loan is deferred until sale or transfer of the property. However, prepayment of the second loan is permissible. CHFA also provides the first loan to each homebuyer. During the past fiscal year, 143 households in seven counties used this Program in obtaining affordable housing for themselves and their families. CHFA expects that as people become more aware of this Program there will be even greater interest by future homeowners.

"Before I got my new home I didn't have a bedroom. I slept in the hallway of our apartment. Now I got a big bedroom for all my toys and brand new bed."

Alexis

age 4





"We bought our home, and obtained our CHFA loan through Countrywide. Our Realtor first mentioned Countrywide. Then I got talking to friends at work about buying a home and I learned that they had gone through Countrywide and they suggested we do the same. We did and we got prequalified for a 97% loan at 5.75% to buy a \$160,000 house. We found a nice house for \$144,000 in Fillmore which was built in 1951. Fillmore is a homey little town which we like, and it is close to my work. We were lucky because the low interest rate was the lowest we found anywhere, just because of this special program.

"We had been renting a house in Santa Paula for about three years, but had nothing to show for it. Buying this house has made us feel much more secure. Having a house to come home to. We have something of value now and building for the future. Our house payment is just about the same as the rent we were paying before. And the house is bigger — three bedrooms instead of two — on a bigger lot and with a separate garage.

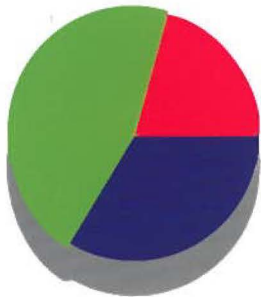
"The experience of buying our first home was great and because we prequalified for the loan, it was real quick and painless!"

THOMAS AND NIKOLE SCOTT

CALIFORNIA VALLEYS SUCCESS STORY



Single Family Loans Purchased 1997-98
Distribution of Borrowers' Incomes



Very Low	1,255	(19.2%)
Low	2,966	(45.5%)
Moderate	2,301	(35.3%)

CHFA and the California Valleys Housing Finance Authority entered into a joint venture in October of 1997 which resulted in yet another avenue to affordable housing within the 15-city jurisdiction of the **California Valleys Housing Finance Authority Bond Program (CVHFA)**. First-time homebuyers in the designated cities (including both high cost and other areas) were given interest rates one-quarter percent lower than CHFA was offering. This Program has been a major success, with most of the \$22 million in loan funds being utilized by the end of the fiscal year.

The **Single Loan Reservation System (SL)** has proven to be an effective tool in the overall efficiency of Single Family Programs. This *over-the-counter* method enables our mortgage lenders to log in their own loan reservations directly into our computer system, to receive immediate confirmation, and after loans are submitted, to check on their status. This system has proven to be a cost-effective and time-efficient way for CHFA and our lender network to handle the demands of the consumer in the housing market. This fresh and innovative idea was entered in the 1997

National Council of State Housing Agencies' (NCSHA) *Annual Awards for Program Excellence* and won in the category *Encouraging New Production*. CHFA led the way as the first housing agency in the nation to allow mortgage lenders direct access to a state computer system via modem in an *over-the-counter* single family loan reservation system.

During the fiscal year, CHFA has continued to improve its successful programs. For instance, CHFA collaborated with industry groups and developed concepts for a new forward commitment *over-the-counter* loan program for newly constructed homes. This program is scheduled for implementation in the fall of 1998. In the past, CHFA offered a semi-annual bid and allocation process, but the new **Builder-Lock Program (BLOCK)** will use the computerized **Lender Access System (LAS)** to streamline a revised New Construction Program. CHFA-approved lenders will be able to reserve funds for developers for 90 days at no cost, and developers will be given the opportunity to purchase pools of funds on favorable terms for 6, 9 or 12 months. Nonprofit developers may buy 18-month forward commitments. This new forward commitment process offers the developers a year-round opportunity to lock in interest rates and make the purchase of newly constructed homes a more viable alternative for prospective homebuyers. CHFA anticipates that this new **BLOCK** Program will be a popular addition to Single Family Programs.

The Agency continues to offer a high cost county differential in the interest rate (one-quarter percent lower than non-high cost counties) to better reach borrowers in these areas. CHFA's aim is to achieve, to the extent possible, an equitable distribution of loan funding throughout California.

A photograph of a woman with dark curly hair, wearing a blue long-sleeved shirt, sitting on a light-colored leather sofa. She is holding a young child with dark hair, wearing a striped shirt, who is smiling at the camera. The sofa has two large black and white patterned pillows. In the foreground, there is a glass coffee table with some items on it. The background shows a wall with a circular mirror and a window with a view of a sunset or sunrise.

CALIFORNIA VALLEYS SUCCESS STORY

"I have been wanting a house for a number of years and I'd been hearing people at work talk about CHFA. My Realtor told me about all the programs available to me since I was a first-time buyer. Before I went shopping, I went to see Herm Mason at Guild Mortgage and got pre-qualified for my loan. That saved me a lot of time because once I found the house it only took less than a month to close the loan. It also gave me a negotiating advantage with the seller. I knew how much I could afford, and because of the very low interest rate from this program, I was able to get more house for my money.

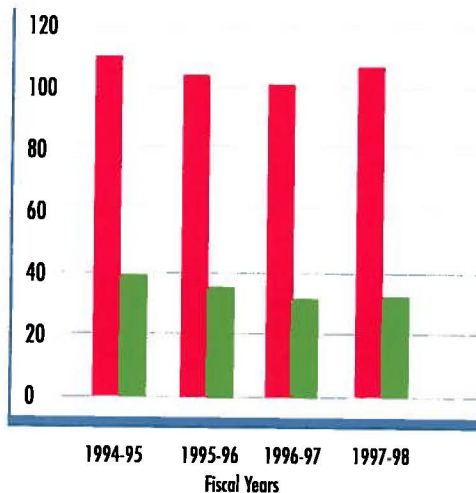
"The condo I ended up buying was built in 1985 and in nice condition. It has two bedrooms and two-and-a-half baths. Bedrooms are upstairs. I have a daughter 15 months old, and a little puppy. Owning a home has made a difference in my life knowing that I am putting money into something that I am owning, and it is nice to be in a bigger place and not as cramped for space as I was in the apartment. In terms of the monthly cost, the mortgage payment is less than I was paying in rent. I do have some added costs for upkeep, and homeownership association, which added up, are more than the rent I was paying, but I look at that as an investment. I'm glad I was able to find the low interest rate in Carson."

RENEE MISCHÉAUX

CHFA's Single Family Programs has much to offer the prospective homebuyer in achieving the dream of homeownership, but it takes a partnership with private lenders to provide the access to the Program. In the past fiscal year, CHFA opened its doors to 27 new lenders, 12 of whom have completed contractual requirements to originate loans. By the end of the fiscal year, there were 35 mortgage lenders with the ability to process CHFA loans and thereby make CHFA accessible to future homebuyers. These lenders have a combined number of over 500 branches offering CHFA loan products throughout the State. Lenders have been trained in the **LAS**, as well as the processing of CHFA loans through our lender education training program.

Participating lenders may call Single Family Programs at any time for clarification of program requirements or request training for new staff. The Single Family Program staff take pride in keeping the spirit of cooperation open between CHFA, its lenders and borrowers, as we all strive to make affordable homeownership a reality throughout California. ■

Single Family Loans Purchased
Average Loan Amounts and Borrowers' Income
(in thousands)



■ Average Loan Amount
■ Average Borrower Income

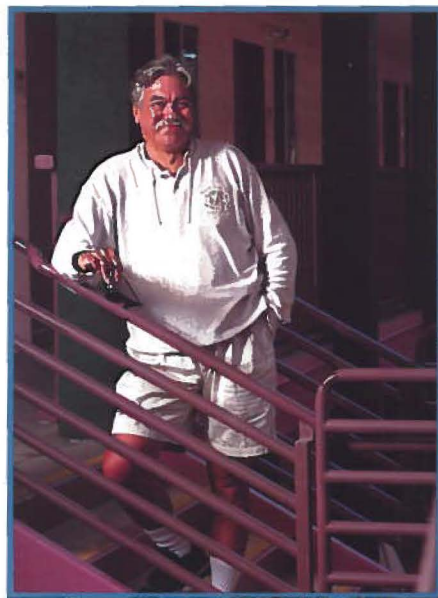


"I am a burn victim. I was severely burned over 22% of my body. I was lucky to live. I was at University of California San Diego burn center in intensive care for over four months. I was then placed in a board and care facility because both my arms were burned and I had difficulty doing things for myself. Then I had occupational therapy. I learned I would never be able to work again (I had worked for the San Diego Gas and Electric Company), and I had to go on Social Security. The challenge I had in finding a place to live was finding a very clean environment, because I still had to go through more surgeries, and with burn recovery you have to be in a very clean place. Then my caseworker told me about Village Place just as it was opening. I came over and met Mike Short, the Manager, and I was accepted. He has helped me get additional HUD rent assistance which makes this place very affordable for me. And unlike the Y, this place gives me a little kitchen and my own bathroom.

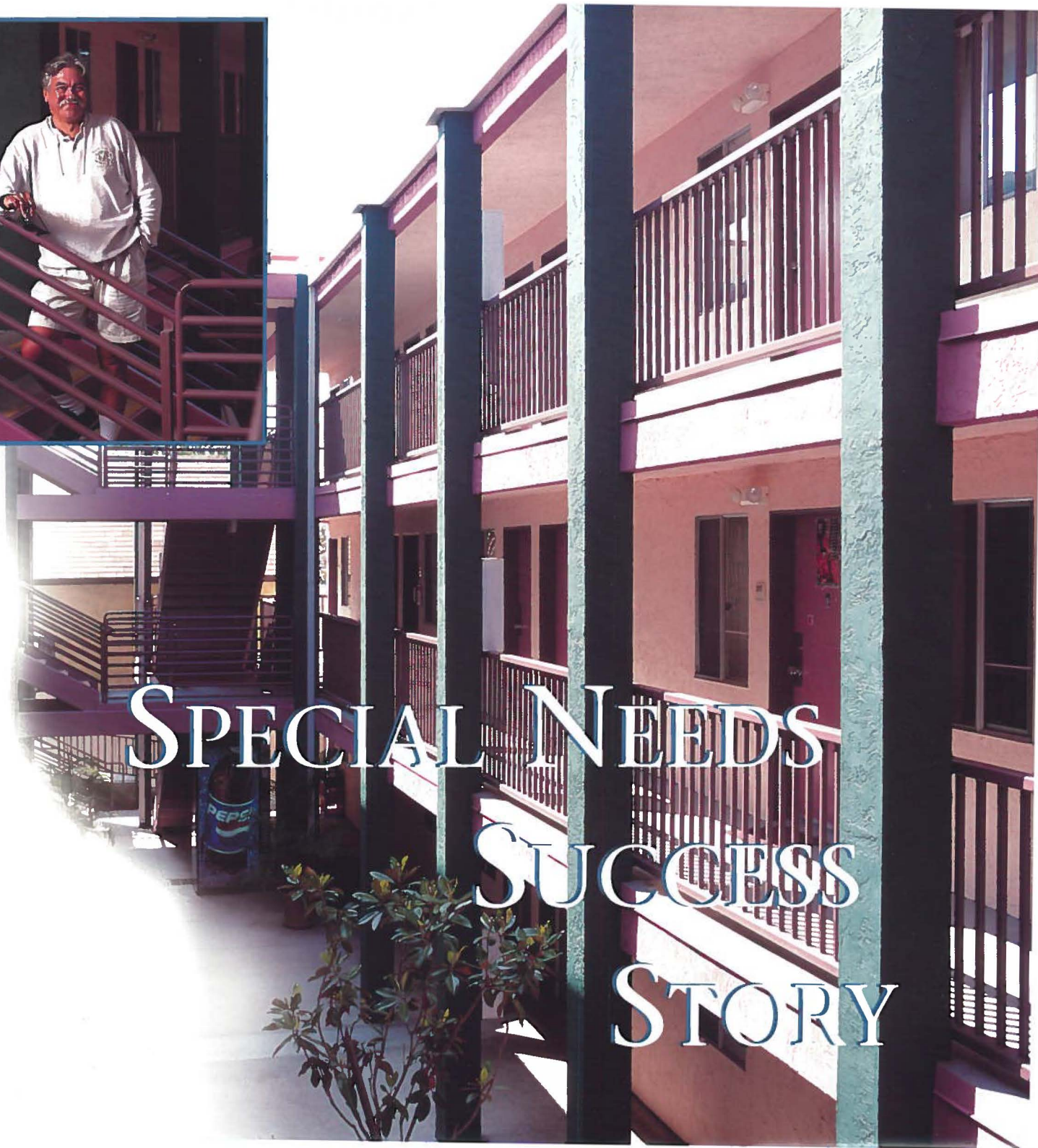
"We have a tenants' association and do monthly outings. They also have barbecues for us. I like the community room with the big screen TV because I am a sports fanatic! "Go Padres!!!" I do a lot of volunteer work two days a week at the library and then at the polling place on election day. It gives me a chance to give something back to this community and country which has been so good to me. I get around town using a bus pass.

"I am glad Father Joe Carroll and St. Vincent de Paul have done Village Place. This place has given me hope."

ARMANDO LUCERO



SPECIAL NEEDS SUCCESS STORY



RENTAL HOUSING PROGRAMS

The 1997-98 activity for Multifamily Programs was marked by a steady flow of geographically diverse projects that served a wide range of tenants with affordable rents. The year was also marked by the establishment of the **Special Needs Program** and the increased utilization of the **Tax Credit Bridge Loan Program**. Projects that received loan commitments ranged in size from 14 units to 190 units and were located in 12 counties.



Over the past fiscal year, 25 projects received final commitments with loans totaling \$61.6 million and comprising 1,631 units. During the year, 17 projects were funded for a total loan volume of \$72.6 million.

Tax-exempt financing provided by CHFA, coupled with tax credits, continues to be a primary means of financing projects. In the past year, 34 projects have been either funded or committed by CHFA, representing 87% of lending activity. In addition to tax credits, local funding of projects continued to be a major component of the projects' financial mix. Of the projects receiving funding or commitments, 92% utilized locality funds.

All of the projects in the Multifamily Program were insured under the FHA Risk-Share Program. This program, now in its fourth year of use by CHFA, provides for readily available mortgage insurance at a reasonable cost. The risk is shared by CHFA and FHA and allows CHFA to utilize its own underwriting guidelines. To date, CHFA has been allocated 9,435 units under the program and has used 8,503 units in 85 projects with loans totaling \$385 million.

The pipeline for loans in process continues to be strong, with 49 projects in various stages, totaling \$219.8 million in potential loan funding.



SENIOR HOUSING SUCCESS STORY



"I just want to say 'thank you' to the people who financed the project where I now live. It is a wonderful place with so many opportunities to fulfill one's needs, wants, and desires. Something for everyone or anyone who cares to look beyond their own front door for enrichment. My friend named this the 'Upland Hilton' but it is so much more than a place to hang your hat."

"I lived before in a small seven-unit building which was strictly for seniors located in downtown Anaheim. My son lived in Upland just about a couple of blocks away from here. He noticed signs announcing plans for a new senior center with new apartments on this site, which had been a shopping center before, with a closed grocery store serving as the local senior center at the time. My son encouraged me to sign up, so I immediately put my name on a waiting list — that was seven years ago. In the meantime, I developed a heart problem and walking up the stairs was becoming a real challenge. By the time they finished Coy D. Estes Senior Housing I was in need of it. And most of all I could afford it. This place is wonderful. It is so much nicer than the place I had been living, but at about the same rent."

RUTH VINCENT

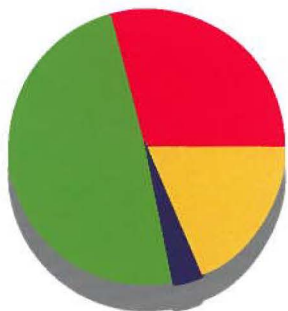
Program innovations in Multifamily addressed two critical affordable housing issues: special needs housing, and tax credit bridge financing.

Special needs housing has traditionally suffered from a lack of available long-term financing with affordable interest rates. CHFA has met this need by creating a **Special Needs Housing Program** which offers loans with very low interest rates and long-term amortization. Along with these financial resources, the Program has two other primary components: broad underwriting parameters that are adjusted by individual project characteristics, and flexibility in serving diverse populations of individuals in need of supportive housing. The various special populations currently served by the Program include individuals with HIV/AIDS, those recovering from substance abuse, the mentally disabled and families of incarcerated felons.

During the past year, CHFA funded **Village Place**, a 44-unit project in San Diego with the St. Vincent de Paul Organization as project sponsor. This project was extensively rehabilitated to provide permanent housing for individuals leaving the transitional programs run by the sponsor. The project serves individuals in the 20% of 80% of county median. Additional project income was derived from leasing space to the local school district for use as a classroom. A prefunded reserve was established to convert the classroom space to residential units should the school district lease not be renewed. A below market interest rate of 6% was provided utilizing FAF (Financing Adjustment Factor) monies as subsidy.

The increased utilization of tax-exempt financing coupled with tax credits caused CHFA to develop a bridge loan program that enhances the ability for projects to secure 4% tax credits. The **Tax Credit Bridge Loan Program** also gives borrowers the option to extend the repayment of the bridge loan, thereby increasing the amount of tax credit funds directly available to the project. Additional terms also benefit projects with below market interest rates and lower annual payments. In the absence of the Program, some projects would not be feasible and others would need to be financially modified. Of the 49 projects in the current multifamily project pipeline, 24 are utilizing the **Tax Credit Bridge Loan Program**.

Multifamily Units Financed 1997-98
Distribution of Income



Very Low	471	(28.2%)
Low	865	(51.8%)
Moderate	53	(3.2%)
Market Rate	281	(16.8%)



CHFA's Special Needs

Program has

received a

1998 Award

for Program

Excellence from the

National Council of

State Housing

Agencies



SENIOR HOUSING SUCCESS STORY



"I have lived in five different seniors projects starting in 1989. I have become an expert on what senior living is all about. And, I would put Victoria Woods right up at the top. And most important, it is so affordable.

"The complex is new. I especially like the apartments because the patios are enclosed with open railing which lets me see the beautiful surroundings, and lets my poodle keep tabs on everything too. Yorba Linda is so beautiful. I really like the landscaping here and the big hill behind the complex. It's real pretty — my apartment faces the hill and it is like looking out on a sea of green. That hill is owned and maintained by the City so they keep it up nice.

"I am one of the original residents. I previously lived in a large 100-unit complex without many activities — nothing like here! There is a very active clubhouse, so much so you can't keep up with it. And the people here are so friendly and nice it makes a big difference, especially with the loss of my fiancé who recently passed away.

"I love pets and because we have a pet section, I am able to have a dog, and my three cockatiels — a boy who sings and two girls who don't.

"I have never been happier than living here."

CAROL NIELSON



Coy D. Estes, Upland — The City of Upland selected a site near its downtown city center to develop a senior center integrated with the **Coy D. Estes** affordable senior housing project. The project is located right next door to the senior center, offering a wide array of daily activities, including a highly-sought-after lunch program. The City of Upland desired to incorporate a broad range of incomes in the project to meet a similar range of senior housing demand. The rents charged on the project range from \$332 for one-bedroom units to market-rate comparable rents. This 130-unit complex was fully rented prior to completion, and has developed a very strong reputation as a highly desirable place to live in the community. It now has a waiting list of over 500 seniors.

Victoria Woods, Yorba Linda — The **Victoria Woods** senior project represents a significant effort by the combined forces of an experienced affordable housing developer, the City of Yorba Linda, and CHFA to bring affordable senior housing to a high cost area. The site for the project is ideally located near two senior centers, extensive shopping, medical offices and other services. The project contains significant affordability with rents for 30% of the project's 125 units targeted to tenants with incomes at or below 50% of area median income. The remaining units are targeted to tenants with incomes equal to or less than 60% of median income. By way of comparison, market-rate units in the immediate area are renting for 30% more than the project's affordable rents.

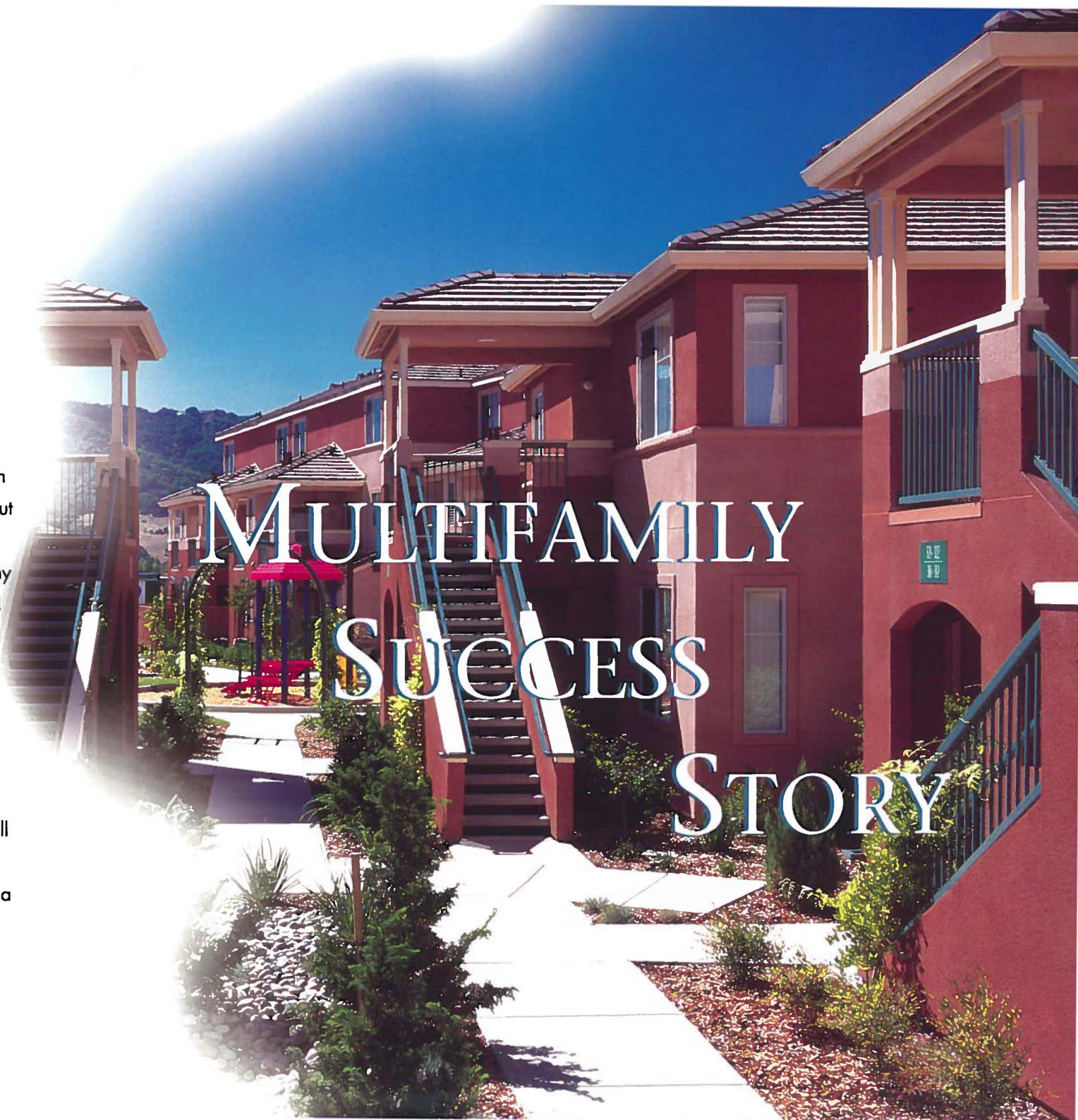
The Promenade, located in the City of Pleasanton, is an award-winning development that combines a number of components to make it an outstanding affordable housing project. The 146 units in the project are divided evenly between affordable units targeted to tenants at 50% and 60% of median income and units at market rents. Also included in the project are four units reserved for developmentally disabled individuals. The project was constructed to a high degree of quality and design, earning it an architectural excellence award at the 1998 Western Building Show. In addition to CHFA financing, **The Promenade** utilized tax credits and local funding to ensure the project's quality and affordability. Full occupancy for **The Promenade** occurred immediately after its opening. ■



"I am a single Mom with two daughters and I have lived in Pleasanton for about five years. Before moving here I lived with my Mom. When I decided to get back out on my own I spoke with someone in the City about affordable housing, and got my name on a waiting list just as they started construction on The Promenade. It is well built and designed, and my apartment is more like a home than an apartment. Pleasanton is not very affordable, but this project is.

"Everyone is wonderful here, and it is well maintained. The Manager and Assistant Manager are wonderful if you ever have a problem because they are so responsive. They have a lot of after school programs for the kids and different holiday parties for everyone."

LISA DEVILLE



ASSET MANAGEMENT

CHFA's multifamily portfolio provides affordable housing for over 21,000 families throughout the State of California. The portfolio currently consists of 292 apartment projects, including 158 Section 8 projects and 134 mixed-rent projects that combine both market and low-income units. The Asset Management Division's mission is to ensure that each affordable housing development financed by CHFA is fiscally sound, physically safe, decent and sanitary, and available to California's low- to moderate-income tenants. Staff monitors the ongoing performance of our loans, administers Housing Assistance Payment (HAP) contracts on behalf of the Department of Housing and Urban Development (HUD), and participates in the loan underwriting process.

Asset Management's involvement with a project begins when the sponsor first applies for a CHFA loan. Working with the Multifamily Programs Division, Asset Management staff evaluates each project from a budgetary and operational standpoint as well as the sponsor-selected management agent. The managing agent oversees the daily operation of each project, and CHFA Asset Management, in order to assure the liv-

ing environment of the tenants and to protect our real estate assets, monitors the managing agent by performing the following tasks:

- ◆ Asset managers review monthly operating statements, annual operational budgets and audit reports, and approve requests for capital expenditures using the project's reserve for replacement funds.
- ◆ Building inspectors visit each project at least once annually to monitor the physical condition of the project to ensure that safe, decent, and sanitary housing is provided to the residents.
- ◆ Occupancy specialists perform annual reviews for ongoing eligibility compliance for residents occupying Section 8 units and non-Section 8 low-income units and oversee the administration of HAP contracts on behalf of HUD.

The State of California, under the direction of the Business, Transportation and Housing Agency, has formed an ongoing Housing Task Force consisting of CHFA, the California Tax Credit Allocation Committee (CTCAC), and the California Department of Housing and Community Development (HCD). For those projects where the entities share a financial interest, they have joined forces in an effort to eliminate duplication of paperwork and monitoring functions. A lead entity is assigned to monitor occupancy compliance and share the information. Currently, more than 50 projects in the Agency's multifamily portfolio share funding and monitoring responsibilities with CTCAC and/or HCD. ■

"We started off in the single family business as an 'in-fill' developer in 1989-90. That is when I first met Harold James who heads up this program. What this program did was launch us as a developer. It gave us the predevelopment loan which allowed us to go in and take down dirt that we would not have been able to take down otherwise and really get into the game. CHFA also gave us access to the permanent financing which allowed us to move the homes once they were completed. We also received help that wasn't purely financial in the form of hands-on advice in the field, advice on foundation work, critical paths in the overall development, how the houses were being erected and the materials being used. It was good to be able to talk to people who understood our language, and not someone who was a bureaucrat. CHFA was also able to provide compensating balance deposits that induced Bank of America to provide construction financing for my single family subdivision. These funds were initially leveraged at four or five to one. Without that kind of help, we would not have gotten into subdivision development. We have since built about 800 homes. The financing in terms of the end users, the clients, our buyers was tremendous; almost nothing could really touch it. CHFA as a single family lender is absolutely one of the best programs around without any question.

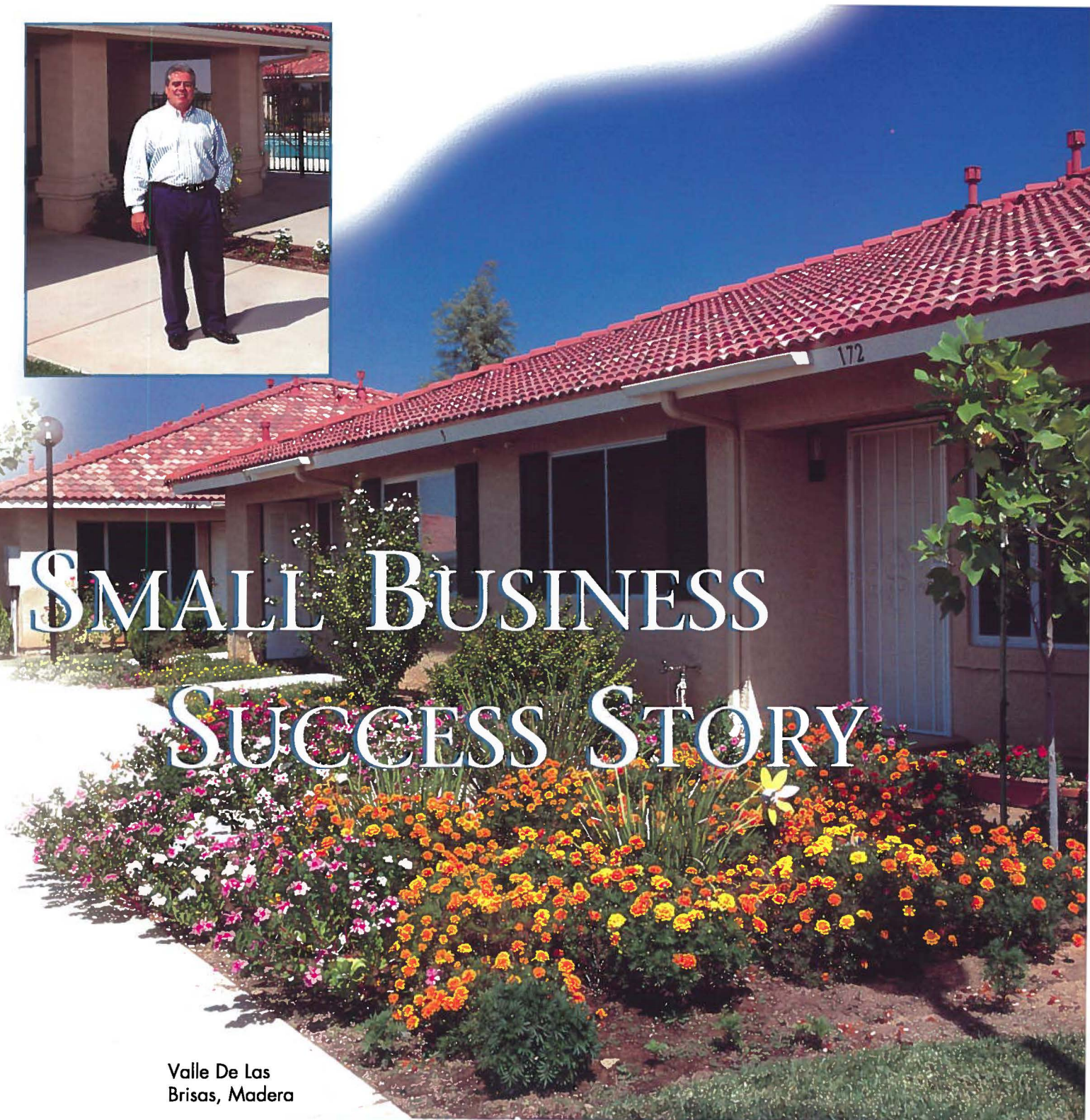
"My advice to neophyte developers is to go without hesitation to the Small Business Development arm of CHFA. You will be launched on the right path."

LEONEL ALVARADO

Valle De Las
Brisas, Madera



SMALL BUSINESS SUCCESS STORY



SMALL BUSINESS DEVELOPMENT

CHFA has some of the most innovative small developer support programs in the housing industry. Since their inception, the Agency's **Predevelopment Loan, Development Loan and Compensating Balance Deposit Programs** have developed 37 transactions, with a dollar value of almost \$4.5 million, assisting in the creation of 1,345 units. Many of these developments are located in low-income, targeted areas where affordable housing is otherwise not being built.

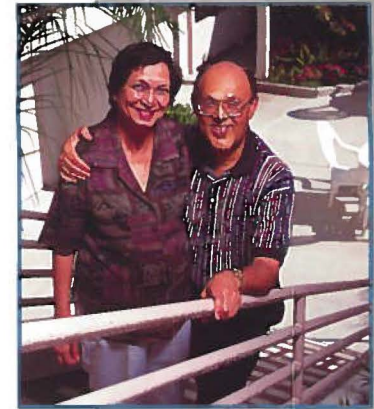
The most recently developed innovative multifamily support program is the **Predevelopment Loan Program (PDL)** providing loans of up to \$250,000 to nonprofit or 501(c)(3)

developers. Patterned after the Agency's Development Loan Program, this Program was designed to assist nonprofit developers by providing temporary funding for land acquisition and predevelopment costs related to the development of affordable multifamily projects financed by CHFA. This year, one \$250,000 loan has been funded for a project with 70 units. In addition, two PDL loans for two projects with 142 units are in the pipeline, with combined loan values of \$350,000.

The **Development Loan Program (DL)** is designed to assist the small developer whose project would not otherwise be funded through conventional sources given the developer's experience, capital, project size and/or location. This Program provides up to \$100,000, on a 50% reimbursement basis, for soft costs incurred in connection with the development, such as land holding costs, permit fees, and architectural and engineering costs. Currently, DL loans which total \$300,000 are in the pipeline for three projects totaling 62 units.

The companion **Compensating Balance Deposit Program** was developed to address the inability of small developers to obtain construction financing. It is well known among the developer community that the lack of construction financing available to small developers is a major obstacle to their obtaining permanent financing. This Program is designed to induce construction lenders to make construction loans to small developers who have Agency commitments for permanent financing. Over the life of the Program, six deposits totaling \$2.6 million have generated \$16,987,000 in construction financing and produced 216 occupied units.

Also of interest is the straightforward 11-page document created by CHFA that affords developers the compliance steps necessary to meet the federally-required equal opportunity and nondiscrimination rules and regulations. This innovative approach was implemented by the Division to save developers the substantial cost, in both time and money, associated with developing individualized plans. ■

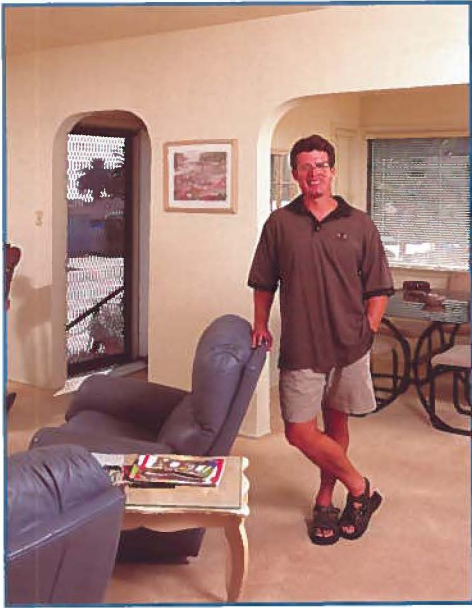


"We came to CHFA as a small business with no experience in government financings. We needed advice as much as financial resources. What we found at CHFA were competent people. The people in Small Business Development understood the development process and what we were looking for and catered to our need for advice."

In terms of people resource, CHFA is a great group of people."

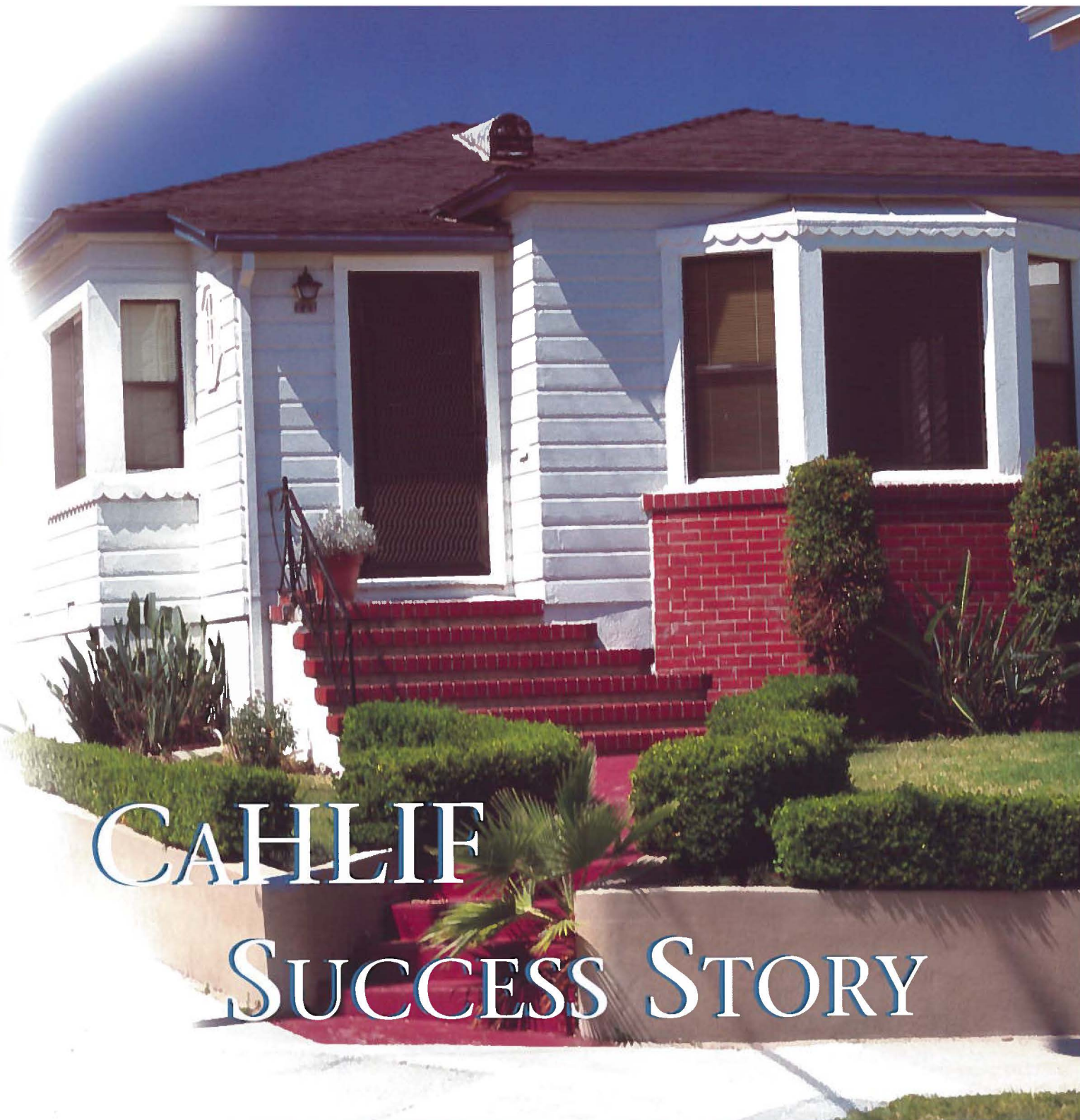
**DR. KISHAR DOSHI
KALMIA COURTYARDS
(pictured left)**





Ralph Smith is a 33-year old electrician with a large outstanding student loan. Mr. Smith had a good employment history and some savings, but because of his debts his qualifying ratios were considered too high for a high loan-to-value loan. CaHLIF felt because the majority of his debt was in the form of a student loan, combined with his excellent credit and his good income, that he would make a dependable borrower.

CaHLIF stepped in and insured a 97% Fannie Mae loan for Mr. Smith. Subsequently, Mr. Smith was able to close his loan and move into his new home in San Pedro, Los Angeles County.



CaHLIF SUCCESS STORY

CALIFORNIA HOUSING LOAN INSURANCE FUND

Creating innovative opportunities for affordable homeownership continues to be the goal of the California Housing Loan Insurance Fund (CaHLIF).

With affordable housing still a challenge in many areas of the State, new and innovative efforts have been developed by CaHLIF to reach first-time homebuyers who thought they would never have a chance at homeownership.

Toward that end, CaHLIF wrote \$65 million in mortgage insurance policies in 1997-98. More importantly, CaHLIF attained a major milestone this year, reaching the \$1 billion mark for mortgage insurance written over the life of its programs. Achieving this milestone was the result of continuing to be the insurer of CHFA's loans and by reaching out to develop a variety of partnerships with private entities, local government, Fannie Mae, and Freddie Mac.

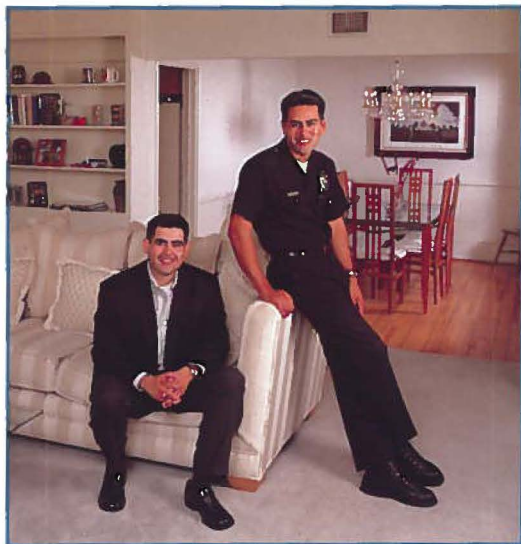
During the fiscal year, CaHLIF and Freddie Mac entered into a \$100 million commitment for the first-ever true 100% loans to qualified California

homebuyers. This loan program, **Affordable Gold 100**, is the first initiative to result in 55% mortgage insurance coverage protecting the lender and the investor. With this innovative program starting in June of 1998, the lending community and home purchasers have been receptive to using the loan that doesn't have a down payment.

On the local front, CaHLIF continues to offer the **97% Loan Program** for low- and moderate-income homebuyers in partnership with redevelopment agencies which have pledged 2% of the loan amount to loss reserve insurance pools. The Program is steadily growing with eight redevelopment agencies currently participating.

CaHLIF has also been able to add other partners to the **97% Loan Program**. For the first time, insurance companies have committed to buy securities collateralized by the 97% loans, thereby creating fees that reduce a borrower's monthly payment. In addition, the insurance companies have committed funds to provide 3% down payment assistance in the form of a deferred *silent second* loan.

Another new innovation is CaHLIF's *partnership* with Fannie Mae to originate 97% loans with borrowers who have below market credit scores. Credit scoring, as a loan underwriting process, is something that is relatively new to the mortgage loan marketplace. Simply stated, a credit score is a computer-generated statistical model that assigns a value to each of the elements that make up a borrower's credit history, the sum total of which results in the credit score. The objective of credit scoring is to have a method of loan underwriting that is faster and seemingly more accurate than the traditional purely noncomputer-driven process. With the average underwritten credit score for mortgage lenders at 720, CaHLIF has been able to reach below that level with its new **Second Look Program** to target borrowers with scores at 650 to 680, effectively looking beyond the raw number to look at mitigating factors that weigh in the borrowers favor.



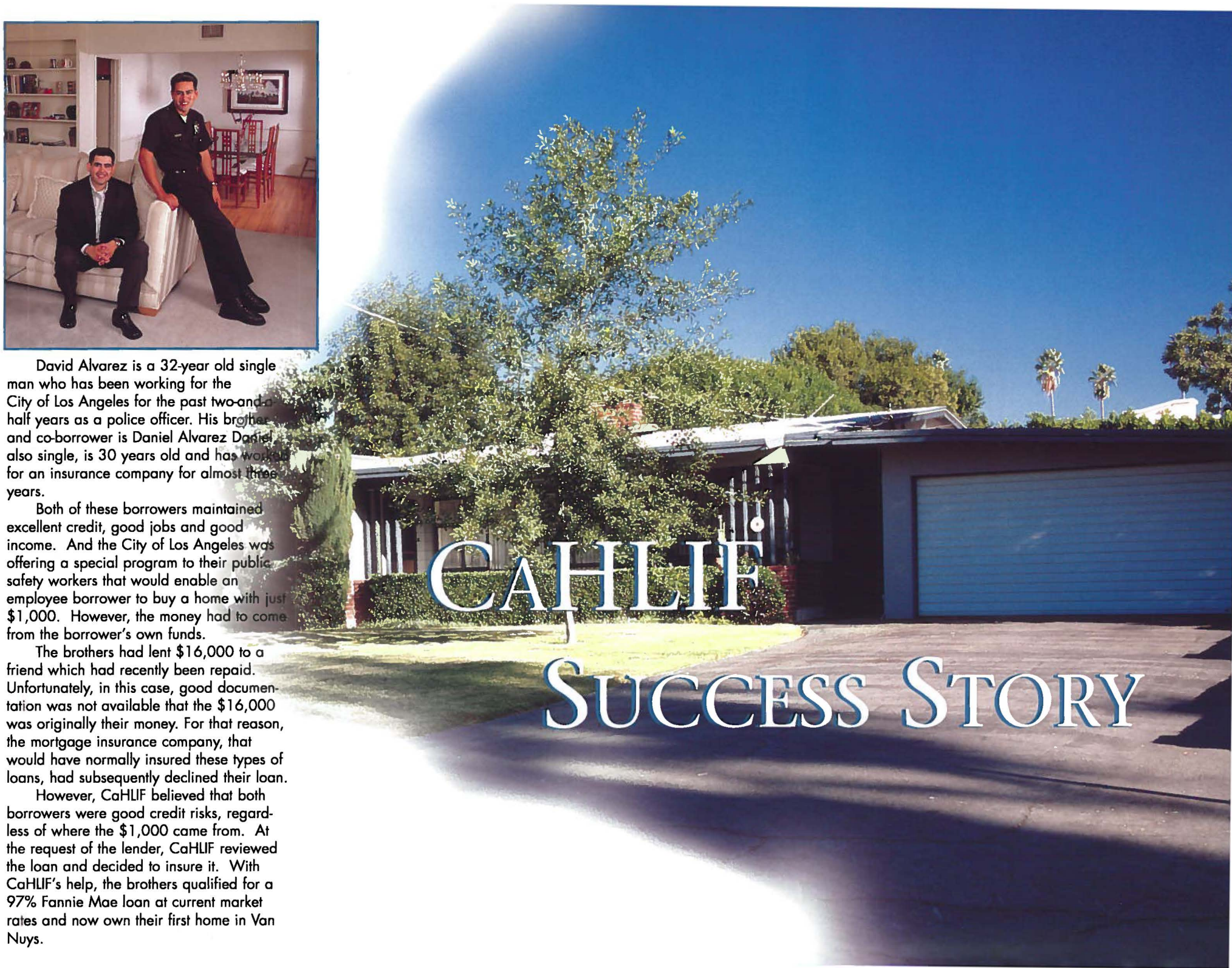
David Alvarez is a 32-year old single man who has been working for the City of Los Angeles for the past two-and-a-half years as a police officer. His brother and co-borrower is Daniel Alvarez. Daniel, also single, is 30 years old and has worked for an insurance company for almost three years.

Both of these borrowers maintained excellent credit, good jobs and good income. And the City of Los Angeles was offering a special program to their public safety workers that would enable an employee borrower to buy a home with just \$1,000. However, the money had to come from the borrower's own funds.

The brothers had lent \$16,000 to a friend which had recently been repaid. Unfortunately, in this case, good documentation was not available that the \$16,000 was originally their money. For that reason, the mortgage insurance company, that would have normally insured these types of loans, had subsequently declined their loan.

However, CaHLIF believed that both borrowers were good credit risks, regardless of where the \$1,000 came from. At the request of the lender, CaHLIF reviewed the loan and decided to insure it. With CaHLIF's help, the brothers qualified for a 97% Fannie Mae loan at current market rates and now own their first home in Van Nuys.

CAHLIF SUCCESS STORY



Many borrowers have interesting stories about their sometimes difficult road to purchase and maintain homeownership. Closing the loan for a home is just the beginning of the borrower's and CaHLIF's participation in keeping the homeownership dream going. Some first-time homeowners will experience trouble in making their monthly payments, usually for reasons outside of their control. At the earliest signs of a problem, CaHLIF delinquency specialists step in with a variety of options to help restore the payments. The benefit to CaHLIF is reduced losses; while the benefits to the borrower are continuation of a positive payment record and being able to keep their home.

Following are just a few success stories of CaHLIF and the borrowers working together to continue the dream of homeownership.

Mr. and Mrs. M., a Sacramento couple, purchased their home in the North Highlands area in August of 1995. They were able to make their house payments until March of 1997, when Mr. M.'s work hours were cut back. Despite the borrowers curing this initial default, they fell behind once again on their house payments when Mrs. M. was laid off from her job. A repayment plan was structured with the loan servicer, but due to the reduced income of both husband and wife, they could no longer meet the terms of the repay plan.

Mr. and Mrs. M. attempted to restructure the terms of the repay plan with the servicer, but due to the prior difficulties the servicer was unwilling to accept further payments from them. CaHLIF then intervened on their behalf. CaHLIF's mortgage claims manager analyzed their financial statement and found that the borrowers were very motivated to keep their home and had sufficient income to

meet the loan obligation, but not enough to pay additional debts that the borrowers had accumulated. CaHLIF staff followed-up with a visit to Mr. and Mrs. M. at their home and proposed a reinstatement loan with deferred payments until November, 1998.

This would allow the borrowers to continue making their regular house payments, reduce their consumer debt, and allow them to get caught up on other delinquent bills. It would also allow Mrs. M. more time to secure employment, further strengthening their financial situation. Mr. and Mrs. M. agreed with the proposal and CaHLIF forwarded a check to reinstate the loan in May of 1998. The loan has remained current since.

Ms. G. is a 29-year old single woman. She has had her current job for four years as the assistant manager of a food distribution company. She has not had the opportunity to develop a readily acceptable credit history, and this would ordinarily have been an obstacle for a high loan-to-value loan. She had some savings but not enough for a large down payment.

*Under the CaHLIF 97% **Second Look Program**, she was able to get a Fannie Mae 97% loan to buy a condo in Panorama City. CaHLIF believes that "no credit is not necessarily bad credit."*

*The **Second Look Program** works, in part, by CaHLIF providing additional protection to the loan investor in the form of greater mortgage insurance coverage. Because CaHLIF was willing to provide the additional insurance coverage for this borrower, she was able to qualify for her home loan at current market interest rates. Ms. G. was pleasantly surprised to find that her house payment, including taxes and insurance, was not much more than what she had been paying in rent. Additionally, because of the low down payment requirement, she was left with some money in the bank to meet other needs. She now enjoys the pride of homeownership and the tax advantages as well. ■*

FINANCING DIVISION

During Fiscal Year 1997-98, CHFA continued its billion-dollar-per-year pace of bond issuance and instituted a number of dramatic innovations in financing. As a result, total issuance volume over CHFA's history reached the \$12 billion mark, and, by the end of the fiscal year, CHFA's current indebtedness approached \$6 billion. In 1997-98 CHFA issued or remarketed \$1.3 billion of bonds in nine separate transactions, including \$1.1 billion for single family and \$190 million for multifamily.

CHFA continued its innovative five-year business planning process, resulting in the Board of Directors' adoption of the fifth update to the Five-Year Business Plan on May 14, 1998. The Business Plan projects a total of \$7.5 billion of lending and insurance activities over the next five years. The Financing Division is responsible for coordinating the preparation of the Business Plan and for determining the financial feasibility of its goals.

Our financing innovations have enabled CHFA to continue to make available a high volume of lendable proceeds at interest rates significantly below market in spite of the limited amount of private activity bond allocation available for single family programs. CHFA has maximized its single family lending potential by augmenting

its bond allocations with tax-exempt replacement bonds and taxable bonds. As a result, during the fiscal year CHFA utilized \$222 million of single family bond allocation to produce \$670 million of lendable proceeds, a leveraging ratio greater than 3-to-1. This is the highest leveraging ratio achieved to date, demonstrating how efficiently CHFA employs its resources to augment the bond allocations it receives.

One of CHFA's most dramatic financing innovations, resulting in an additional \$22 million of lendable proceeds, was a unique refinancing of a local agency bond issue. The California Valleys Housing Finance Authority, a joint powers authority comprised of 15 California cities, received \$22 million of single family private activity bond allocation in 1995. For technical reasons, after bonds were issued, no loans were originated. However, CHFA and the authority entered into a unique cooperative agreement, making it possible to restructure the original bond issue last November and for participating lenders to originate the loans. The result is that another 230 first-time homebuyers were able to obtain low interest rate loans.

Another important financing innovation was the decision in March to refund, on a fixed-interest-rate basis, six previous series of multifamily bonds. This refunding significantly lowered CHFA's cost of funds for 12 FHA-insured loans for Section 8 projects. For many of these projects, the Housing Assistance Payment contracts with HUD will expire over the next several years, and owners will have the right to convert the projects to market rentals. By lowering our cost of funds, CHFA will have more flexibility in negotiating with owners or prospective purchasers to extend the affordability period for these projects. In addition, the refunding fixed the bond interest rate on \$83 million of variable rate debt, eliminating that amount of interest rate risk.

Single Family Bonds

Issuance Date or Remarketing Date	\$ Amount	Bond Issue	Notes
July 24, 1997	\$ 65,625,000	HMRB, 96 J	Short-term remarketing of convertible option bonds
July 30, 1997	\$159,900,000	MRB, 97 H, I, J, K	Included \$50 million of taxable bonds
September 26, 1997	\$115,440,000	SFMB II, 97 B, C	Included \$33.7 million of taxable bonds
December 11, 1997	\$100,000,000	HMRB, 97 L, M, N	Included \$35 million of taxable bonds
January 29, 1998	\$129,605,000	HMRB, 98 A, B, C, D	Included \$40 million of taxable bonds
February 19, 1998	\$127,000,000	HMRB, 98 E	New convertible option bonds
March 31, 1998	\$128,065,000	SFMB II, 97 B & 98 A, B	Included \$36.5 million of taxable bonds and a \$39.7 million convertible option bond
April 23, 1998	\$ 22,085,000	CA VALLEY BONDS	Delayed delivery of restructuring bonds
May 6, 1998	\$ 74,670,000	SFMB II, 97 C-4	Delayed delivery of economic refunding bonds
June 11, 1998	\$196,004,271	HMRB, 96 J-1 & 98 F, G, H	Included \$78.5 million of economic refunding bonds and \$51.5 million of taxable bonds

Multifamily Bonds

Issuance Date	\$ Amount	Bond Issue	Notes
July 23, 1997	\$ 31,295,000	MHRB III, 97 C	Floating rate, new money
April 23, 1998	\$ 42,435,000	MHRB III, 98 A	Fixed rate, new money
May 7, 1998	\$116,365,000	MHRB III, 98 B, C	Refunding of six prior bond series

A third notable innovation was the decision to split a \$150 million single family economic refunding opportunity into two roughly equal pieces. For the first piece, the interest rates were determined in September; for the second piece, the rates were set in May. Dividing the refunding into two pieces was a part of CHFA's overall strategy to hedge its interest rate risks by selling bonds throughout each year rather than gambling that interest rates will be at their lowest at any particular time. ■

555 California Street
21st Fl.
San Francisco, CA 94104

Steven G. Zimmermann
Managing Director
Public Finance Ratings

Standard & Poor's

A Division of The McGraw-Hill Companies



August 27, 1998

Ms. Theresa A. Parker
Director
California Housing Finance Agency
1211 L Street - 7th Floor
Sacramento, CA 95814

Dear Ms. Parker:

Standard & Poor's is pleased to confirm that the California Housing Finance Agency continues to be designated a "Top-Tier" State Housing Agency. Initially designated as a "Top-Tier" Agency in 1986, the Agency has continued to mature, using sound financial judgment and maintaining a stable management staff.

Standard & Poor's "Top-Tier" guidelines include: years issuing bonds; unrestricted fund balances; administrative capabilities; investment policy, internal controls/financial management; portfolio quality; and state support. The guidelines are more fully detailed in the attached description in Standard & Poor's 1998 Public Finance Criteria.

If you have any questions concerning the "Top-Tier" designation, please feel free to contact the Housing Group. Once again, it was a pleasure working with your staff and congratulations on your agency's performance.

Very truly yours,


Steven G. Zimmermann

cc: Ms. Pamela Berkowitz
Mr. Thomas Sheridan

FISCAL SERVICES

The Fiscal Services Division continues to administer an increasing portfolio of \$4.8 billion of loans receivable and \$5.6 billion of bonds payable in 152 series under 16 separate indentures within the California Housing Finance Fund. Detailed accounting and financial reporting are required for each bond series. Periodic financial tests and reserve calculations for each bond series are performed to monitor compliance with indenture requirements and serve to protect bondholders' interests. Arbitrage calculations are also prepared to ensure compliance with federal tax law.

This year, more than \$700 million in single family home loans were funded and the single family portfolio rose to 44,920 loans, which is the largest number of active loans outstanding in CHFA's history. Twenty-seven single family loan servicers transmit loan data to us from which payment information is entered directly into the Agency's automated systems.

During the fiscal year, the Agency issued four multifamily bond series totaling \$190 million. The Multifamily Accounting Unit funded 19 new loans valued at over \$67 million. The Agency also refinanced two multifamily loans totaling over \$6.2 million.

The Housing Assistance Trust Fund (HAT) equity balance, which also acts as security behind CHFA bonds, has grown to over \$75 million. Since its inception, 49 multifamily projects have benefitted in various ways from HAT funds. In addition, 1,046 CHFA first-time homebuyers have been helped over the down payment hurdle by receiving *sleeping second* mortgages under the Agency's Matching Down Payment Program with funding provided by HAT. The Agency also administers the California Housing Loan Insurance Fund. This year, CaHLIF insured \$65 million in new single family mortgages, resulting in approximately \$706 million of insurance-in-force at fiscal year-end and, for the first time, pushing total CaHLIF production past the \$1 billion mark. This represents mortgage insurance for more than 6,800 borrowers.

The delinquency ratio of CHFA's single family in-house loan servicing portfolio was reduced to 6.64% at June 30th, a near record low for CHFA. At year-end, the loan servicing portfolio is 5,120 first mortgages and 2,163 second mortgages, totaling \$428 million.

The Fiscal Services Division continues to prepare for new products and increased loan and insurance volume in conjunction with the Five-Year Business Plan. Looking to the year ahead, we plan to take full advantage of new innovations, such as the increased efficiencies and reporting capabilities of our new general ledger and report writing computer software. ■



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Wong, Reginald
Yu, Pauline
Zavala, Joann
Zeller, Robert
Zuccaro, Terry

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**Ex Officio